The future of vacation ownership

By Laura Koss-Feder • H&MM Managing Editor

Hotel companies are discovering many marketing and market-share advantages as they look into the timeshare arena

The timeshare business, or vacation ownership, as it is referred to these days, is a booming phenomenon in the hospitality industry.

More and more hotel companies are operating or lending their names to vacation ownership properties, using their well-known flags to capitalize on this income source.

Some reasons for this movement of lodging companies into vacation ownership have to do with the fact that the whole reputation of this business has improved. Consumers who have bought timeshares in the past are now familiar with how these properties operate and feel more comfortable with them. More timeshare companies also are allowing buyers to break up the week they own at a particular resort each year into three- and four-day sets. This flexibility is making timeshares appealing to a wider audience of travelers.

There is even some movement to bring vacation-ownership properties to city locations, in addition to traditional resort destinations.

"The top independent timeshare companies are speaking to the hotel brands and taking part in joint-venture partnerships," said Lisa Leavitt, manager in the real-estate and hospitality consulting practice of KPMG Peat Marwick in New York. "We'll also see hotel companies franchising timeshares."

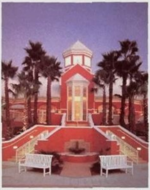
"[Travelers] want beaches, but they also want to go to cities like New York and San Francisco."

The growth rate in timeshare sales has been faster than the comparable rate in hotel company sales. Leavitt cited studies done by the American Resort Development Assn. that showed timeshare sales grew 17.6 percent from 1980 to 1994.

With most timeshares generally costing in the $10,000 to $20,000 range to buy, plus yearly maintenance fees, there might even be a move in the future to properties that are more geared toward the midpriced market. Such units would be priced between $7,000 and $9,000, Leavitt said.

"We're finding that in many cases, the timeshare customer is typical of that person who also would be staying at a mid-priced hotel," Leavitt said.

Marriott Vacation Club International has been in the timeshare business since 1984. Today, the division of Marriott International has 30 resorts in 14 destinations, with more than 2,200 villas and 75,000 owners. With this long track record, compared with other hotel players, this is a concept that has evolved and gained more acceptance and understanding over the years, said Edward Kinney, director of brand management and communications.



Hilton Grand Vacations Club has a timeshare property at Sea World International Center in Orlando.

The Marriott properties cost between $8,000 and $39,000, depending upon location and season. The properties consist of luxury, full-service two-bedroom villas, and some of these are integrated into Marriott hotels. Even though two-bedrooms have been the mainstay for Marriott, there are now one-bedrooms, one-bedrooms with lofts, studios and three-bedrooms.

Move being made into urban setting

Marriott is opening its first vacation ownership property in an urban setting—in the heart of Boston. The property will have 80 units and will open in 1997 in a high-rise building.

"There is a desire to experience city life in this fashion," Kinney said.

Leading the trend of urban timeshares, calling itself New York's first-ever timeshare project, is the $70 million develop-

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